

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number 1101007126	

# **CITY OF MT. PLEASANT**

## **Michigan**



### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

# **Year Ended December 31, 2005**

Issued by:

Finance Department

Nancy J. Ridley  
Finance Director

Mary Ann Kornexl, CPA, CPFA  
Deputy Finance Director/City Treasurer



# City of Mt. Pleasant

---

## Comprehensive Annual Financial Report

### **Introductory Section**

### **Table of Contents**

Letter of Transmittal	1-5
GFOA Certificate of Achievement For Excellence in Financial Reporting	6
List of Principal Officials	7
Table of Organization	8

### **Financial Section**

Independent Auditors' Report	9-10
Management Discussion and Analysis	11-25

### **Basic Financial Statements**

Government-wide Financial Statements	
Statement of Net Assets	28-29
Statement of Activities	30-31

Fund Financial Statements	
Governmental Funds	
Balance Sheet	32-35
Reconciliation of Fund Balance to the Statement of Net Assets	37
Statement of Revenue, Expenditures, and Changes in Fund Balance	38-41
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	43

Proprietary Funds	
Statement of Net Assets	44-47
Statement of Revenue, Expenses, and Changes in Net Assets	48-51
Statement of Cash Flows	52-55



# City of Mt. Pleasant

---

## Comprehensive Annual Financial Report

### **Financial Section (Continued)**

### **Table of Contents**

#### **Basic Financial Statements (Continued)**

Fiduciary Funds	
Statement of Net Assets	56
Statement of Changes in Fiduciary Net Assets	57
Component Units	
Statement of Net Assets	58-59
Statement of Activities	60-61
Notes to Financial Statements	63-100

#### **Required Supplementary Information**

Budgetary Comparison Schedule – General Fund	102-103
Budgetary Comparison Schedule – Major Street Fund	104-105
Budgetary Comparison Schedule – Community Development Block Grant Fund	106-107
Schedule of Funding Progress and Schedule of Employer Contributions – Fire and Police Pension Plan	108-109
Notes to Required Schedules	110

#### **Other Financial and Supplemental Information**

Combining Balance Sheet – Nonmajor Governmental Funds	112-115
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	116-123
Budgetary Comparison Schedule – Local Street Fund	124-125
Budgetary Comparison Schedule – Parks & Recreation Fund	126-127



# City of Mt. Pleasant

---

## Comprehensive Annual Financial Report

### **Financial Section (Continued)**

### **Table of Contents**

#### **Other Financial and Supplemental Information (Continued)**

Budgetary Comparison Schedule – Downtown Parking & Improvement Fund	128-129
Budgetary Comparison Schedule – Economic Development Fund	130-131
Budgetary Comparison Schedule – Storm Drain Improvement Fund	132-133
Combining Statement of Net Assets – Nonmajor Proprietary Funds	134-137
Combining Statement of Revenue, Expenses, and Changes in Net Assets – Nonmajor Proprietary Funds	138-139
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	140-143
Combining Statement of Net Assets – Internal Service Funds	144-147
Combining Statement of Revenue, Expenses and Changes in Net Assets – Internal Service Funds	148-149
Combining Statement of Cash Flows – Internal Service Funds	150-153
Combining Statement of Net Assets – Trust Funds	154
Combining Statement of Changes in Net Assets – Trust Funds	155
Combining Statement of Changes in Assets and Liabilities - Agency Funds	156-157

### **Statistical Section**

Governmental Funds Revenue by Source	161
Governmental Funds Expenditures by Function	161
Property Tax Valuations, Tax Rates, Tax Levies and Collections	162



# City of Mt. Pleasant

---

## Comprehensive Annual Financial Report

### **Statistical Section (Continued)**

### **Table of Contents**

Breakdown of 2005 Taxable Value by Property Type	163
Property Tax Millage Rates – All Direct and Overlapping Governments	164
Ten Largest Taxpayers	165
Special Assessment Collections	166
Computation of Direct and Overlapping Debt	167
Computation of Legal Debt Margin for General Obligation Bonds	168
Computation of Legal Debt Margin for Special Assessment Bonds	168
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures	169
Ratio of Net General Obligation Bonded Debt to Taxable Value and Net Bonded Debt Per Capita	170
Revenue Bond Coverage	171
Demographic Statistics	172
Construction and Property Values	173
Other Statistical Data	174-175





# THE CITY OF MT. PLEASANT, MICHIGAN

**CITY HALL**

401 N. Main • 48858-1698  
(989) 779-5300  
(989) 773-4691 fax

**PUBLIC SAFETY**

804 E. High • 48858-3595  
(989) 779-5100  
(989) 773-4020 fax

**PUBLIC WORKS**

1303 N. Franklin • 48858-4682  
(989) 779-5400  
(989) 772-6250 fax

March 29, 2006

Honorable Mayor  
Members of the City Commission  
Citizens and Friends of Mt. Pleasant, Michigan

Article VII, Section 15 of the City Charter and State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Mt. Pleasant for the fiscal year ended December 31, 2005.

This report consists of management's representations concerning the finances of the City of Mt. Pleasant. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mt. Pleasant has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mt. Pleasant financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Mt. Pleasant comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Mt. Pleasant financial statements have been audited by Rehmann Robson P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mt. Pleasant for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mt. Pleasant financial statements for the fiscal year ended December 31, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Mt. Pleasant, incorporated in 1889, is located in the central part of the State of Michigan at the intersection of US127 and M20. The City currently occupies 7.8 square miles and serves a population of 25,946. The City is governed by a charter that was last amended in 2002. A city's charter is like a local constitution, which spells out the basic form of government and lists the authority and responsibilities of all the players. The City of Mt. Pleasant is empowered to levy a property tax on both real and personal property located within the City.

Mt. Pleasant has a "commission/manager" form of government. Policy-making and legislative authority are vested in the commission consisting of the mayor, vice-mayor and five other members. The commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, clerk, assessor, treasurer and attorney. The commission is elected at large on a non-partisan basis. Commission members serve three-year overlapping terms.

The manager is responsible for carrying out the policies and ordinances of the commission, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments.

The commission adopts an annual budget. The annual budget serves as a foundation for the City of Mt. Pleasant's financial planning and control. For a narrative on the budget process see Note 2-A in the Notes to Financial Statements section of this report.

**Reporting Entity and Services.** As required by generally accepted accounting principles, these financial statements present the City of Mt. Pleasant and related component units. The individual component units are included in the City's reporting entity because of their operational or financial relationships with the City.

The City provides a full range of municipal services. These services include parks; police and fire protection; water, sewer, and sanitation services; the construction and maintenance of highways, streets, and infrastructure; and recreational activities and cultural events. In addition to general government activities, because of the significance of their operational and financial relationship, Tax Increment Finance Authority (TIFA), Economic Development Corporation (EDC), Mission Street Downtown Development Authority (DDA), Local Development Finance Authority (LDFA) and Broomfield Redevelopment Authority (BRA) are included in the reporting entity.



## **Factors Affecting Financial Condition**

**Local Economy.** The geographical location of the City of Mt. Pleasant allows easy access to major highways, which provides several advantages to the community. Growth in the form of residential and commercial expansion is evident from the significant increase since before 1990 in new construction and remodeling.

Mt. Pleasant is the home of Central Michigan University (CMU). CMU has seen a significant increase in enrollment. The increase in enrollment has resulted in a significant number of rental units being constructed in the City and surrounding Township.

During 2001, the City of Mt. Pleasant in partnership with CMU was awarded the status of Smartzone for University Park. The award was made by the Michigan Economic Development Corporation (MEDC) to ten parks in the State of Michigan. With the designation comes international marketing of the park by MEDC. MEDC granted the Local Development Finance Authority (LDFA) \$2,000,000 to create an incubator building for companies who are beginning technological ventures to be housed as they grow large enough to build their own facilities. The incubator building is complete and is occupied by several technology firms. MEDC and CMU continue to actively market the park in an effort to attract technology jobs to Mt. Pleasant and to retain the students educated at CMU. CMU plans to expand this incubator in 2006.

The tourism industry continues to grow in the Mt. Pleasant area. Mt. Pleasant is becoming a leading tourist destination in the state for its park system and also the attractions in the surrounding area such as premier golf courses and Soaring Eagle Casino.

During 2006 a major retail development is planned for the adjoining township. There will also be a significant upgrade to the U.S. 127 interchange on the south end of town. It is anticipated that these developments will significantly increase the number of people coming to Mt. Pleasant to shop.

The voters of the City of Mt. Pleasant approved the sale of the current City Hall to allow for the partnership between a private developer and the City to renovate the Bader Building. The Bader Building is a 30,000 square foot 100 year old building in the central business district and the partnership includes the construction of a new building on the adjacent vacant land. It is anticipated that this renovation will lead to further development in the central business district and the creation of more jobs.

The City of Mt. Pleasant enjoys a favorable economic environment. The economy in the State of Michigan has been struggling in recent times. Consequently the state has reduced its budget for local programs such as state shared revenue, fire funding, and school funding. The cuts to state shared revenue and fire funding have directly impacted the City's general fund. Due to the expiration of allocated millages and a fund balance in excess of its goal, the City has been able to increase the operating millage and use the fund balance to cover these losses without raising the total millage rate for the taxpayers. City staff and commissioners have begun the process at looking at this long-term trend and service adjustments have been made in the 2006 budget and more will be needed in the 2007 budget. The cuts to school funding have resulted in a difficult financial situation in the public schools and CMU.

## **Factors Affecting Financial Condition (Continued)**

**Cash Management.** During the year idle cash was invested in demand deposits, MBIA Class Investment Pool, Bank Investment Funds, U.S. Government Agencies and Commercial Paper. The Pension Trust Funds' investment portfolio also includes Treasury Notes, Corporate Notes and Bonds, Mutual Funds, and Real Estate. The average yield on investments, except for the Pension Trust Fund, was 3.3%. The Pension Trust Fund achieved a yield rate of 8.24% for this same period.

The City earned investment income of \$946,242 on the investment of the Police and Fire Pension funds and \$447,208 on all other investments for the year ended December 31, 2005.

The City's investment policy is to maintain a competitive yield on its portfolio while minimizing credit and market risks.

**Pension Plans and Other Post Employment Benefits.** The City currently participates in the Municipal Employees Retirement System of Michigan (MERS) for its employees, except for members of the Police and Fire Departments. Full-time Police and Fire employees have pension coverage under a locally administered pension plan established under Public Act 345 of Public Acts of 1937, as amended. The City provides health care benefits for police retirees who retired after January 2002. The financial statements of the Act 345 retirement fund are included in the Comprehensive Annual Financial Report. See Note 11 for more details.

The City Commission adopted the provisions of State Act 149, establishing the Police Retiree Medical Benefits Fund as a trust. See Note 10 for more details.

**Debt Administration.** The City of Mt. Pleasant has outstanding bonded debt. The City is in compliance with all requirements of these bond issues. See Note 7 for more details.

**Risk Management.** The City of Mt. Pleasant is a member of a self-insurance association operating within the State of Michigan pursuant to Public Act 138 of 1982. The purpose of the association is to administer a Risk Management Fund, which provides members with loss protection for general and vehicle liability, motor vehicle physical damage, and property damage. The City contributed \$253,144 for the period ended December 31, 2005.

Contributions are applied to the procurement of reinsurance, risk management, underwriting, payment of claims, establishment of loss reserves, and other related expenses. A member's loss contribution account is charged or credited according to the individual member's actual loss experiences. No obligation is created for payments of another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are reduced; if inadequate, future contributions are increased. Should a member have more losses paid on their behalf than contributions covering such losses, a credit is extended within the association Joint Loss Fund; such a deficit is repaid by the member in future contributions.

## Awards and Acknowledgements

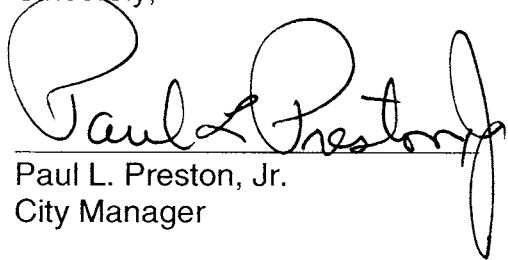
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mt. Pleasant for its comprehensive annual financial reporting for the fiscal year ended December 31, 2004. This Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This marks the 18<sup>th</sup> consecutive year the City has received the award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes this current report continues to conform to the Certificate of Achievement program requirements, and will be submitting it to GFOA.

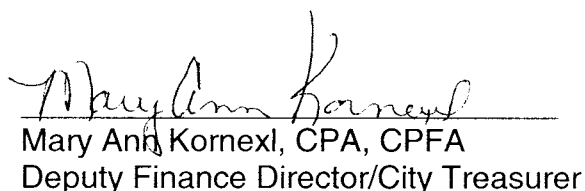
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this Report. Thank you to Sue Jones for typing the report. In addition, we would like to recognize the City Commission in general and the audit committee more specifically for its leadership and support.

Sincerely,

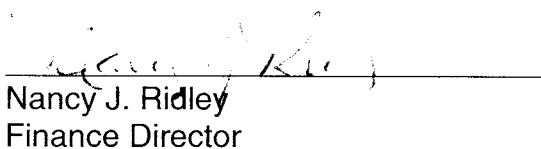


Paul L. Preston, Jr.  
City Manager

Sincerely,



Mary Ann Kornexl, CPA, CPFA  
Deputy Finance Director/City Treasurer



Nancy J. Ridley  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mount Pleasant,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

CITY OF MT. PLEASANT  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2005

Mayor  
Adam Miller

Vice-Mayor  
Cynthia Bradley

City Commission  
Steve Bissell  
Jon Joslin  
James Moreno  
Keith Spycher  
Sharon Tilmann

City Manager  
Paul L. Preston, Jr.

Assistant City Manager - Director of Community Services

Kathie Grinzinger

Director of Finance  
Nancy J. Ridley

Deputy Finance Director - Treasurer  
Mary Ann Kornexl

Director of Public Safety  
William Yeagley

Director of Public Works  
Duane Ellis

# CITY RESIDENTS

## Appointees:

Airport Advisory Board  
Audit Committee  
Board of Review  
Building Authority  
Building, Fire and Sanitary Sewer Board of Appeals  
City Attorney  
Downtown Development Board  
Fire and Police Retirement Board  
Historic District Commission

## MT. PLEASANT CITY COMMISSION

Adam A. Miller, Mayor  
Cynthia Bradley-Kilmer, Vice Mayor  
Steven L. Bissell, Commissioner  
Jon Joslin, Commissioner  
James S. Moreno, Commissioner  
Keith Spycher, Commissioner  
Sharon Tilmann, Commissioner

## Appointees:

Local Development Finance Authority  
Local Officers Compensation Commission  
Parks and Recreation Commission  
Planning Commission  
Tax Increment Finance Authority/  
Downtown Development Authority/  
Economic Development Corporation/  
Brownfield Redevelopment Authority  
Zoning Board of Appeals  
Ad Hoc Advisory Committees

CITY MANAGER  
Paul L. Preston, Jr.

DIRECTOR OF  
PUBLIC WORKS

Duane Ellis

ENGINEERING

Duane Ellis, City Engineer

STREET DEPARTMENT  
and MOTOR POOL  
Bob Murphy, Superintendent

WASTEWATER  
TREATMENT PLANT  
Pete Boettcher,  
Superintendent

WATER DEPARTMENT  
Malcolm Fox, Superintendent

DIRECTOR OF  
FINANCE

Nancy Ridley

DEPUTY FINANCE  
DIRECTOR/TREASURER  
Mary Ann Kornel

CITY ASSESSOR  
David Rowley

CITY CLERK  
Rob Flynn

INFORMATION  
TECHNOLOGY  
Tom Robinson, Director

DIRECTOR OF  
PUBLIC SAFETY

Bill Yeagley

FIRE DEPARTMENT  
Greg Waterhouse, Chief

POLICE DEPARTMENT  
Glenn Feldhauser, Captain

HOUSING COMMISSION  
Kimberly Johnson,  
Executive Director

DIRECTOR OF  
COMMUNITY SERVICES &  
HUMAN RESOURCES,  
ASST. CITY MANAGER  
Kathie Grinzinger

PLANNING & COMM.  
DEVELOPMENT  
Tony Kulick, Director

BUILDING SAFETY/  
CODE ENFORCEMENT  
Brian Kench,  
Building Official

PARKS, BUILDINGS  
AND GROUNDS  
Greg Baderschneider,  
Director

RECREATION AND  
SPORTS  
Chris Bundy, Director

DOWNTOWN  
DEVELOPMENT DIRECTOR  
Michelle Sponseller

## TABLE OF ORGANIZATION December 2005





**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

March 29, 2006

City Commission  
City of Mt. Pleasant  
Mt. Pleasant, Michigan 48858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Mt. Pleasant, Michigan***, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Mt. Pleasant, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Mt. Pleasant, Michigan***, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 11 through 25, the major governmental fund budget comparisons on pages 102 through 107, and the Pension Analysis of Fund Progress on pages 108 through 109 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Mt. Pleasant, Michigan's* basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

This section of the City of Mt. Pleasant's financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated are expressed in millions of dollars.

### Financial Highlights

- ❖ The assets of the City of Mt. Pleasant exceeded its liabilities at December 31, 2005 by \$61.3 million. Of this amount \$15.2 million may be used to meet government's ongoing operations to citizens and creditors.
- ❖ The government's total net assets decreased by \$.1 million. This was primarily due to a decrease in state shared revenue and an increase in employee benefit costs.
- ❖ As of December 31, 2005, the City of Mt. Pleasant's governmental funds reported combined ending fund balances of \$9.2 million, an increase of \$.5 million in comparison with prior year. Unreserved undesignated fund balance in the amount of \$3.9 million is available for spending at the government's discretion.
- ❖ As of December 31, 2005, unreserved undesignated fund balance for the General Fund was \$1,657,598 or 15.6% of the 2006 operating budget.
- ❖ The City of Mt. Pleasant's total debt decreased by \$1,213,633 due to making the scheduled debt payments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Mt. Pleasant's basic financial statements. The City of Mt. Pleasant's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Mt. Pleasant's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mt. Pleasant's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mt. Pleasant is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mt. Pleasant that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mt. Pleasant include general government, public safety, public works, highways, streets and bridges and community development. The business-type activities of the City of Mt. Pleasant include Water, Sewer, Solid Waste, Project 2000 and Airport operations.

The government-wide financial statements include not only the City of Mt. Pleasant itself (known as the primary government), but also legally separate entities for which the City of Mt. Pleasant is financially accountable. Financial information for these component units is reported separately from the financial information presented from the primary government itself. They are the Tax Increment Financing Authorities (TIFA), Downtown Development Authority (DDA), Local Development Finance Authority (LDFA), Economic Development Corporation (EDC) and Broomfield Redevelopment Authority (BRA). The Building Authority, although also legally separate, functions for all practical purposes as a department of the City of Mt. Pleasant, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 28-31 of this report.



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mt. Pleasant, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mt. Pleasant can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mt. Pleasant maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General fund, Major Street fund and Community Development Block Grant fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mt. Pleasant adopts annual appropriated budgets for its general fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 32-43 of this report.



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

**Proprietary Funds** - The City of Mt. Pleasant maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mt. Pleasant uses enterprise funds to account for its Water, Sewer, Solid Waste, Project 2000 and Airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Mt. Pleasant's various functions. The City of Mt. Pleasant uses internal service funds to account for its self-insurance, central stores and for its motor pool. All of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water funds, both of which are considered to be major funds of the City of Mt. Pleasant. Data from the other three proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds are combined into a single, aggregated presentation. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Mt. Pleasant's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 56-57 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 63-100 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Mt. Pleasant's progress in funding its obligation to provide pension benefits to its employees and budget to actual presentation for the general fund and major special revenue funds. Required supplementary information can be found on pages 102-110 of this report.





# City of Mt. Pleasant

## Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

The combining statements referred to earlier in connection with nonmajor governmental, proprietary and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 112-157 of this report.

### Government-wide Financial Analysis

The City's combined net assets decreased .16 percent from a year ago, decreasing from \$61.4 million to \$61.3 million. A review of the governmental activities, separate from the business-type activities, shows an increase of \$582,213 in net assets or 1.7 percent during fiscal 2005. This increase was due to the increase in the general fund due to higher revenue. The business-type activities experienced a \$902,819 decrease in net assets. This was primarily due to the decrease in the amount invested in capital assets due to depreciation. In a condensed format, the table below shows the net assets (in millions of dollars) as of December 31, 2005 as compared to December 31, 2004.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current Assets	\$ 11.9	\$ 11.2	\$ 8.0	\$ 8.5	\$ 19.9	\$ 19.7
Non-current Assets						
Nonrestricted	1.7	1.6	0.2	0.1	1.9	1.7
Capital Assets	<u>26.0</u>	<u>26.9</u>	<u>31.0</u>	<u>31.5</u>	<u>57.0</u>	<u>58.4</u>
Total Assets	39.6	39.7	39.2	40.1	78.8	79.8
<b>Liabilities</b>						
Current Liabilities	1.5	2.0	1.3	1.0	2.8	3.0
Non-current Liabilities	<u>3.1</u>	<u>3.3</u>	<u>11.6</u>	<u>12.1</u>	<u>14.7</u>	<u>15.4</u>
Total Liabilities	4.6	5.3	12.9	13.1	17.5	18.4
<b>Net Assets</b>						
Invested in Capital Assets -						
Net of Related Debt	22.7	23.0	17.9	18.3	40.6	41.3
Restricted	1.8	1.8	3.7	3.9	5.5	5.7
Unrestricted	<u>10.5</u>	<u>9.6</u>	<u>4.7</u>	<u>4.8</u>	<u>15.2</u>	<u>14.4</u>
Total Net Assets	<u>\$ 35.0</u>	<u>\$ 34.4</u>	<u>\$ 26.3</u>	<u>\$ 27.0</u>	<u>\$ 61.3</u>	<u>\$ 61.4</u>



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Government-wide Financial Analysis (Continued)

The following table shows the changes in net assets:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
Program Revenue						
Charges for Services	3.7	3.4	6.4	5.6	10.1	9.0
Operating Grants and Contributions	1.4	0.8	0.1	0.0	1.5	0.8
Capital Grants and Contributions	0.3	0.7	0.2	0.1	0.5	0.8
General Revenue						
Property Taxes	5.2	5.0	0.1	0.1	5.3	5.1
Revenue Sharing	3.0	3.0	0.0	0.0	3.0	3.0
Interest Earnings	0.2	0.1	0.2	0.1	0.4	0.2
Miscellaneous	0.4	0.1	0.4	0.0	0.8	0.1
<b>Total Revenue</b>	<b>14.2</b>	<b>13.1</b>	<b>7.4</b>	<b>5.9</b>	<b>21.6</b>	<b>19.0</b>
<b>Program Expenses</b>						
General Government	4.3	4.5	0.0	0.0	4.3	4.5
Public Safety	5.9	5.9	0.0	0.0	5.9	5.9
Public Works	0.9	0.9	0.0	0.0	0.9	0.9
Highways, Streets & Bridges	3.0	2.9	0.0	0.0	3.0	2.9
Community Development	0.0	0.0	0.0	0.0	0.0	0.0
Interest on Long-Term Debt	0.1	0.1	0.0	0.0	0.1	0.1
Sewer	0.0	0.0	3.0	3.1	3.0	3.1
Water	0.0	0.0	3.1	2.6	3.1	2.6
Solid Waste	0.0	0.0	0.3	0.4	0.3	0.4
Project 2000	0.0	0.0	0.9	0.0	0.9	0.0
Airport	0.0	0.0	0.4	0.4	0.4	0.4
<b>Total Expenses</b>	<b>14.2</b>	<b>14.3</b>	<b>7.7</b>	<b>6.5</b>	<b>21.9</b>	<b>20.8</b>
Excess (Deficiency) Before Transfers	-0.0	-1.2	-0.3	-0.6	-0.3	-1.8
Transfers	0.6	0.4	-0.6	-0.4	0.0	0.0
Increase (Decrease) in Net Assets	0.6	-0.8	-0.9	-1.0	-0.3	-1.8
Net Assets - Beginning of Year (Restated)	34.4	35.2	27.2	28.0	61.6	63.2
Net Assets - End of Year	35.0	34.4	26.3	27.0	61.3	61.4



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Government-wide Financial Analysis (Continued)

**Governmental Activities.** The City's total governmental revenue increased by approximately \$1.1 million. This was primarily attributed to increased property tax revenue and fire protection contributions from the State and Union Township in the general fund in 2005 and the increase in interest earnings.

Expenses decreased by about \$.1 million. This was primarily due to the 27 pays in 2004 and 26 in 2005.

During the year, the City continued meeting the actuarial required contributions for both of the defined benefit pension systems and set aside funding for retiree health care benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the present.

**Business-type Activities.** The City's business-type activities consist of the Water, Sewer, Solid Waste, Airport and Project 2000. The City provides water, sewer and solid waste to all residents of the City. The number of customers remained steady. The usage for water and sewer continue to decline due to the vacancy rate experienced in the rental units within the City. Customer charges for water were unchanged and sewer customers saw a 5.7 cent per 1,000 gallon increase during 2005.

The airport continues to see an increase in planes landing and fuel sold. During 2005, one of the last two parcels of land in Project 2000 was sold and is being marketed by a private developer as condominiums. The remaining parcel will be developed as the final phase of the current subdivision project in 2006.

Business-type activities decrease in net assets of .9 million includes depreciation of 1.9 million.

### Financial Analysis of the Government's Funds

Our analysis of the City's major funds begins on page 32, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing and the voted debt retirement property tax millages.



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

**General Fund.** The General Fund receives all City revenue not designated for specific use by statutes or the City Charter and accounts for most of the services provided to residents. A comparison to the budget is on page 102. Information relative to the General Fund's revenue, expenditures and fund balance is shown below:

	2005 Amount	2005 Percent of Total	Increase (Decrease) from 2004
<b>REVENUE</b>			
Taxes	\$ 4,484,615	42.3%	\$ 234,408
Licenses and Permits	362,222	3.4%	28,216
Intergovernmental	3,089,435	29.1%	13,583
Charges for Service and Sales	1,015,135	9.6%	169,131
Fines	163,341	1.5%	(32,890)
Interest	158,841	1.5%	72,900
Miscellaneous	726,353	6.9%	238,527
Subtotal	9,999,942	94.3%	723,875
Transfers from Other Funds	607,579	5.7%	(104,803)
Total	<u>\$ 10,607,521</u>	<u>100.0%</u>	<u>\$ 619,072</u>

The increase in taxes is due to the increase in taxable value and more millage used for operations. The increase in charges for services is due mainly to the one time increase in the state contribution for fire protection of state owned facilities in the City and the increase in the contract with Union Township. The increase in interest is due to the increase in interest rates. The increase in miscellaneous revenue is due to an increase in donations.



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

	<u>2005 Amount</u>	<u>2005 Percent of Total</u>	<u>Increase (Decrease) From 2004</u>
<b>EXPENDITURES</b>			
Current Operations			
General Government	\$ 3,603,385	35.3%	\$ (190,731)
Public Safety	5,557,627	54.5%	(148,863)
Public Works	608,883	6.0%	(32,679)
Subtotal	9,769,895	95.8%	(372,273)
Transfers to Other Funds	429,320	4.2%	26,737
Total	<u>\$ 10,199,215</u>	<u>100.0%</u>	<u>\$ (345,536)</u>

The decrease in expenditures is mainly due to 27 payrolls in 2004 and 26 payrolls in 2005.

	<u>2005 Amount</u>	<u>2005 Percent of Total</u>	<u>Increase (Decrease) From 2004</u>
<b>FUND BALANCE</b>			
Reserved for			
Unspent Donations	\$ 568,567	11.0%	\$ 33,773
Prepaid Expenditures	76,981	1.5%	(1,005)
Accrued Vacation Payable	384,333	7.4%	17,464
Designated for			
Fund Balance Policy	1,600,000	30.9%	-
Fire Truck Replacement	233,887	4.5%	30,000
Future Year's Expenditures	659,620	12.7%	106,030
Unreserved/Undesignated	1,657,598	32.0%	588,913
Total	<u>\$ 5,180,986</u>	<u>100.0%</u>	<u>\$ 775,175</u>



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

The unreserved undesignated balance is equivalent to approximately 15.6% of the 2006 operating budget.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. A comparison to the budget begins on page 104. The Special Revenue Funds of the City include:

**Major and Local Street Funds** – These are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951, as amended. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets. Revenue of the Major Street Fund decreased due to a tribal 2% donation received in 2004. Expenditures increased by nearly the same. Revenue and expenditures of the Local Street fund remained nearly the same.

**Parks & Recreation Special Programs Fund** – This fund is used to account for recreation programs which generate revenue that for the most part cover the direct expenses of the programs. It allows for a yearly carryover to meet the agreements with various service clubs and/or athletic clubs. The General Fund subsidized these programs. In addition, the fund is used to account for specific donations to recreation or parks programs. Revenue increased due to an increase in the 2% tribal donation for the PEAK program. Expenditures also increased due to the PEAK program because of the change in the schools involvement in the program.

**Downtown Parking & Improvement Fund** – This fund is used to record the revenue from parking meters and fines for parking meter violations to fund some maintenance and promotions in the central business district. In late 1977, the City Commission approved the removal of parking meters from streets and lots in the central business district. In 2003 a special assessment paid by property owners in the benefited area was established. This special assessment and a transfer from the General Fund, fund the activities of the fund.

**Community Development Block Grant Fund** – This fund is used to account for money received from federal and state grants to rehabilitate targeted residential areas. Revenue and expenditures fluctuate depending on grants received and disbursed.





# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

**Economic Development Fund** – This fund is used to account for monies received from the State of Michigan and subsequently loaned to private enterprises for development purposes. During 2004 several loans were made to downtown business to provide working capital to improve their businesses.

**Storm Drain Improvement Fund** – This fund is used to account for Storm Drain Improvements throughout the City most of which were constructed and financed through the Isabella County Drain Commission. This debt is for a City Project that is nearly paid off and is being financed by the fund balance of the fund.

**Building Authority** – This component unit is used to account for the Mt. Pleasant Building Authority established to sell bonds and construct improvements and addition to the Department of Public Safety Building. Construction of the building was essentially complete in 2002. During 2005 the general fund paid rent to the Building Authority equal to the amount of debt service required on the bonds.

**Debt Service Funds.** Debt Service Funds are used to account for the accumulation of resources and payment of interest and principal on long-term debt other than bonds payable recognized in Proprietary Funds. The Debt Service Funds of the City include:

**1996 Refunding Bond Debt Service Fund** – This fund is used to account for the repayment of a \$2,165,100 bond issue dated July 1996. The bond was used to advance refund 1979 Waste Water Treatment Bonds and a portion of the 1991 Refunding Bonds. Revenue is received in amount sufficient to pay debt service from a property tax levy and surcharge to non-tax paying sewer customers.

**Special Assessment Bond Debt Service Fund** – This fund is used to account for the levy of special assessments to affected taxpayers for improvements that benefit their property and repayment of the one remaining bond that was used to finance a Public Works Improvement project.

**Capital Projects Fund.** The Capital Projects Fund is used to account for the receipts and disbursements of monies used for the acquisition of capital facilities other than those financed by proprietary funds. The City has a Capital Project fund that is used to account for the two (2) mill levy approved for 10 year implementation beginning in 1996. During 2005 the Capital Projects fund transferred to the General Fund \$240,000, Local Street \$250,000, Parks Fund \$10,000 for capital projects and \$115,000 to the Borden Building Capital Improvement Fund.



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

**Borden Building Capital Improvements Fund.** This fund was created in 2005 to account for the funding sources that are currently earmarked for the Bader Building project. The Bader Building project is the renovation of a historical building in the Central Business District to become a new City Hall and retail space. The City is partnering with a developer to accomplish this project. The City and the developer are currently negotiating the project.

**Enterprise Funds.** Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the intent of the City has decided periodic determination of net income is appropriate for accountability purposes. The City has the following Enterprise Funds. The Sewer fund is used to account for the costs of collecting and treating waste waters. The Water Fund is used to account for the costs of providing water services to City residents. The Solid Waste Management Fund is used to account for the costs of collecting and disposing of solid waste. The Airport Fund is used to account for operating and maintenance costs of the municipal airport. Revenue is received from rentals of hanger space, fuel sales and a contribution from the General Fund. The Project 2000 Fund is used to account for the sale and development of residential and light industrial property on property purchased by the City. The results of these funds for the year ended December 31, 2005 are as follows:

	Sewer		Water		Solid Waste	
	2005	Increase (Decrease)	2005	Increase (Decrease)	2005	Increase (Decrease)
Operating Revenue	\$ 2,319,529	\$ (53,129)	\$ 2,683,597	\$ (39,018)	\$ 325,766	\$ (10,319)
Operating Expenses	2,727,959	(55,649)	2,835,868	469,681	309,323	(152,524)
Net Income (Loss)	(408,430)	(2,520)	(152,271)	(508,699)	16,443	(162,843)
Nonoperating Revenue - Net	(117,203)	(366,727)	(150,652)	(173,277)	200,567	27,012
Change in Net Assets	\$ (525,633)	\$ (369,247)	\$ (302,923)	\$ (335,422)	\$ 217,010	\$ (189,855)
Net Assets	\$ 12,840,194		\$ 8,978,427		\$ 854,918	



# City of Mt. Pleasant

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

	Project 2000		Airport	
	2005	Increase (Decrease)	2005	Increase (Decrease)
Operating Revenue	\$ 822,818	\$ 765,956	\$ 271,062	\$ 47,413
Operating Expenses	886,286	794,903	375,534	(59,510)
Net Income (Loss)	(63,468)	(28,947)	(104,472)	(106,923)
Nonoperating Revenue - Net	(467,020)	(267,020)	316,763	161,000
Change in Net Assets	\$ (530,488)	\$ (295,967)	\$ (212,291)	\$ (267,923)
Net Assets	\$ 1,657,391		\$ 1,766,446	

**Internal Service Funds.** Internal Service Funds are used to account for the financing of special activities or services performed by a designated unit within the City for other units of the City. These funds are supported entirely by the sale of goods or services to other funds. The City operates the following Internal Service Funds. The Central Stores Purchasing Fund is used to account for the purchase and subsequent resale of operating, and repair and maintenance supplies to the various City departments. The Motor Vehicle and Equipment Fund is used to account for the purchase, maintenance, and operation of all motor vehicles except those of the Police and Fire Departments. The equipment is rented to the other operating funds at hourly rental rates to cover costs of the fund. The Self-Insurance Fund is used to account for the claims paid for employee health benefits and general liability claims deductibles and expenses. The individual funds and departments are charged monthly premiums to cover these costs. See Note 9 for more details.

**Fiduciary Funds.** Fiduciary Funds are established to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and/or funds. The Fiduciary Funds of the City include:

**Pension Trust – Fire and Police Retirement System** - A five member Board of Trustees manages this system under the provisions of P.A. 345 to provide pension benefits to police and fire retirees. See Note 11 for more details.

**Police Retiree Medical Benefits Fund** – This fund was established in 2003 to account for medical benefits provided to police retirees that retired in 2002 or later.



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds (Continued)

**Cemetery Trust Fund** – This fund is used to account for a portion of the burial fees charged that is held in trust to provide for perpetual care of the cemetery.

**Agency Funds** – The City has two Agency Funds. These include funds for tax collections and payroll.

### General Fund Budgetary Highlights

Over the course of the year, the City administration and City Commission monitor and amend the budget to take into account unanticipated events that occur during the year. The most significant of these events during fiscal 2005 was the increase in beginning fund balance available from the 2004 year and the increase in property tax values due to higher than projected uncapping of various properties and not having to use the 3% reduction in State Shared Revenue that was originally anticipated. Expenditure budgets changed insignificantly from the amounts originally budgeted. A comparison of the budgeted data begins on page 100. The original budget anticipated using \$606,150 fund balance to balance the budget, the final budget projected adding \$139,040 and \$408,306 was actually added to fund balance used during 2005.

### Capital Assets and Debt Administration

At the end of fiscal 2005, the City had \$56.3 million invested in a wide range of capital assets, including land, building, police and fire equipment, computer equipment, and infrastructure. The City is reporting infrastructure assets, which include roads, bridges, sidewalks, and storm drains in which it has invested since 1980. The value of the infrastructure assets, net of depreciation contained in this report, is \$57.0 and \$58.4 million for fiscal 2005 and 2004, respectively (see Note 6 of the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets (see Note 7 of the notes to the basic financial statements for additional information).

### Economic Factors and Next Year's Budgets and Rates

For the seventh year, the total City property tax millage has remained the same. For 2005 the amount allocated for general operating versus debt has increased but the total overall rate has remained the same and is approximately 5 mills below the maximum allowed by the charter. Property taxes represent 43% of the General Fund revenue budget.



# City of Mt. Pleasant

---

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budgets and Rates (Continued)

Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, the ability to offer the same level of services with the same millage rate will become more difficult. Annual new growth and development in the City has fallen from a 4 percent level during the late 1990s to around 2 percent for the current year. In addition, state revenue sharing, which represents nearly 28% of our General Fund budget, is unlikely to increase due to State cutbacks and less sales tax receipts at the state level. These factors have put significant pressure on the 2006 budget. The 2006 budget has service reductions resulting in approximately \$300,000 less expenses and the tentative plan for 2007 is to reduce another \$300,000 approximately.

On the expense side, the City continues to offer the same services with the same labor force. The cost of the labor force continues to rise as health care costs increase and the performance of the pension funds' investments decline, causing higher pension costs. The City is currently negotiating with the bargaining groups to limit health care cost increases.

### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the Treasurer's Office at City Hall.



# City of Mt. Pleasant

	Primary Government	
	Governmental Activities	Business-type Activities
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 10,279,587	\$ 6,401,891
Receivables	1,602,976	1,298,207
Internal Balances	(136,023)	136,023
Other	165,970	146,721
Total Current Assets	11,912,510	7,982,842
Non-Current Assets		
Receivables	1,686,994	294,220
Development Costs	-	609,409
Non depreciable Assets	5,335,444	428,308
Capital Assets - Net of Accumulated Depreciation	20,670,198	29,919,297
Total Non-Current Assets	27,692,636	31,251,234
Total Assets	<u>\$ 39,605,146</u>	<u>\$ 39,234,076</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Other Liabilities	\$ 1,119,194	\$ 769,734
Deferred Revenue	2,671	3,515
Long-Term Debt Due within One Year	590,000	500,000
Total Current Liabilities	1,711,865	1,273,249
Non-Current Liabilities		
Other Liabilities	176,222	-
Long-Term Debt Due in more than One Year	2,690,000	11,632,701
Total Non-Current Liabilities	2,866,222	11,632,701
Total Liabilities	4,578,087	12,905,950
<b>NET ASSETS</b>		
Invested in Capital Assets -		
Net of Related Debt	22,725,642	17,992,605
Restricted		
Donations	943,798	96,817
Grants/Bond/Ordinance Requirements	45,322	2,494,329
Debt Service	820,347	1,135,593
Unrestricted (deficit)	10,491,950	4,678,782
Total Net Assets	<u>\$ 35,027,059</u>	<u>\$ 26,398,126</u>



**Statement of Net Assets**  
**December 31, 2005**

Primary Government	Component Units
<u>Total</u>	<u>Units</u>
\$ 16,681,478	\$ 890,978
2,901,183	281,633
-	-
312,691	-
<u>19,895,352</u>	<u>1,172,611</u>
1,981,214	-
609,409	-
5,763,752	855,923
50,589,495	1,274,629
<u>58,943,870</u>	<u>2,130,552</u>
<u>\$ 78,839,222</u>	<u>\$ 3,303,163</u>
\$ 1,888,928	\$ 81,313
6,186	-
1,090,000	246,399
<u>2,985,114</u>	<u>327,712</u>
176,222	207,653
<u>14,322,701</u>	<u>1,150,000</u>
<u>14,498,923</u>	<u>1,357,653</u>
17,484,037	1,685,365
40,718,247	2,130,552
1,040,615	64,477
2,539,651	302,680
1,955,940	-
15,170,732	(879,911)
<u>\$ 61,425,185</u>	<u>\$ 1,617,798</u>



# City of Mt. Pleasant

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 4,283,722	\$ 1,070,111	\$ 702,574	\$ -
Public Safety	5,878,192	872,269	697,954	-
Public Works	945,459	10,807	-	-
Highways, Streets & Bridges	3,028,115	1,764,235	-	341,000
Community Development	260	59,081	40,737	-
Interest on Long-Term Debt	157,173	-	-	-
Total Governmental Activities	14,292,921	3,776,503	1,441,265	341,000
Business-type Activities				
Sewer	2,986,479	2,319,530	-	-
Water	3,168,130	2,659,852	25,207	-
Solid Waste	311,445	325,766	-	-
Project 2000	886,320	819,318	-	-
Airport	375,587	261,061	94,000	183,803
Total Business-type Activities	7,727,961	6,385,527	119,207	183,803
Total Primary Government	<u>\$ 22,020,882</u>	<u>\$ 10,162,030</u>	<u>\$ 1,560,472</u>	<u>\$ 524,803</u>
<b>Component Units</b>				
TIFA	\$ 652,876	\$ -	\$ -	\$ 4,250
DDA	281,080	-	-	-
LDFA	64,780	-	-	-
Brownfield	300	-	-	-
Total Component Units	<u>\$ 999,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>

## General Revenue

Property Taxes  
 Captured Tax Increments  
 Revenue Sharing, unrestricted  
 Interest Earnings  
 Miscellaneous

Total General Revenue

Transfers

Total General Revenue and Transfers

Change in Net Assets

Net Assets - January 1 (Restated)

Net Assets - December 31

## Statement of Activities Year Ended December 31, 2005

Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,511,037)	\$ -	\$ (2,511,037)	
(4,307,969)	-	(4,307,969)	
(934,652)	-	(934,652)	
(922,880)	-	(922,880)	
99,558	-	99,558	
(157,173)	-	(157,173)	
(8,734,153)	-	(8,734,153)	
-	(666,949)	(666,949)	
-	(483,071)	(483,071)	
-	14,321	14,321	
-	(67,002)	(67,002)	
-	163,277	163,277	
-	(1,039,424)	(1,039,424)	
(8,734,153)	(1,039,424)	(9,773,577)	
			\$ (648,626)
			(281,080)
			(64,780)
			(300)
			(994,786)
5,295,021	166,987	5,462,008	-
-	-	-	1,026,717
3,069,222	-	3,069,222	-
267,144	221,276	488,420	33,339
46,502	386,819	433,321	5,435
8,677,889	775,082	9,452,971	1,065,491
638,477	(638,477)	-	-
9,316,366	136,605	9,452,971	1,065,491
582,213	(902,819)	(320,606)	70,705
34,444,846	27,230,945	61,675,791	1,547,093
\$ 35,027,059	\$ 26,328,126	\$ 61,355,185	\$ 1,617,798



# City of Mt. Pleasant

	General	Major Street
<b>ASSETS</b>		
Common Cash and Investments	\$ 3,990,930	\$ 381,455
Other Cash	13,998	36,643
Receivables		
Taxes	503,931	-
Special Assessments	-	-
Accounts	65,186	245
Accrued Interest	112,513	-
Contracts	-	-
Due From Other Funds	98,335	-
Due From Component Unit	300	-
Due From Other Governmental Units	565,263	184,254
Long Term Advance to Component Unit	-	-
Prepaid Items	76,981	-
	<u>\$ 5,427,437</u>	<u>\$ 602,597</u>
<b>Total Assets</b>		
	<u>\$ 5,427,437</u>	<u>\$ 602,597</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Payables		
Accounts	\$ 204,362	\$ 3,656
Contractor Retainage	11,648	36,643
Accrued Liabilities	1,083	-
Due to Other Funds	-	-
Due to Other Agencies	26,687	-
Deferred Revenue	2,671	-
	<u>246,451</u>	<u>40,299</u>
<b>Total Liabilities</b>	246,451	40,299

**Governmental Funds  
Balance Sheet  
December 31, 2005**

Community Development Block Grant	Other Nonmajor Governmental	Total Governmental
\$ 133,671	\$ 2,638,548	\$ 7,144,604
45,322	332,308	428,271
-	57,405	561,336
-	412,598	412,598
-	635	66,066
-	-	112,513
1,026,324	79,337	1,105,661
-	37,313	135,648
-	-	300
-	57,900	807,417
198,000	9,653	207,653
-	-	76,981
<u>\$ 1,403,317</u>	<u>\$ 3,625,697</u>	<u>\$ 11,059,048</u>

\$ -	\$ 31,547	\$ 239,565
-	54,926	103,217
-	-	1,083
-	40,921	40,921
-	-	26,687
<u>1,026,324</u>	<u>388,333</u>	<u>1,417,328</u>
1,026,324	515,727	1,828,801



# City of Mt. Pleasant

	<u>General</u>	<u>Major Street</u>
<b>FUND BALANCE</b>		
Reserved		
Future Expenditures	\$ 952,900	\$ 15,399
Prepaid Expenditures	76,981	-
Debt Service	-	-
Unreserved		
General Fund	1,657,598	-
Special Revenue Funds	-	546,899
Capital Projects Fund	-	-
Designated		
General Fund	2,493,507	-
Special Revenue Funds	-	-
Capital Projects Fund	-	-
	<u>5,180,986</u>	<u>562,298</u>
Total Fund Balance		
	<u>\$ 5,427,437</u>	<u>\$ 602,597</u>
Total Liabilities and Fund Balance		

**Governmental Funds  
Balance Sheet  
December 31, 2005  
(Continued)**

<u>Community Development Block Grant</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 257,415	\$ 648,327	\$ 1,874,041
-	-	76,981
-	573,347	573,347
-	-	1,657,598
119,578	995,329	1,661,806
-	629,656	629,656
-	-	2,493,507
-	148,311	148,311
-	115,000	115,000
376,993	3,109,970	9,230,247
\$ 1,403,317	\$ 3,625,697	\$ 11,059,048



# City of Mt. Pleasant

---

## Governmental Funds Reconciliation of Fund Balance to the Statement of Net Assets December 31, 2005

Total fund balance for governmental funds \$ 9,230,247

Amount reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources, and are not reported in the funds 25,159,801

Certain receivables are expected to be collected over several  
years in governmental activities and are not available to pay for  
current year expenditures 1,414,657

Long-term liabilities and accrued interest not due and payable  
in the current period are not reported in the funds (3,930,644)

Internal Service Funds are included as part of governmental activities 3,152,998

Net assets of governmental activities \$ 35,027,059





# City of Mt. Pleasant

	General	Major Street
<b>REVENUE</b>		
Taxes	\$ 4,484,615	\$ -
Special Assessments	-	-
Licenses and Permits	362,222	-
Intergovernmental		
Grants	20,213	341,000
Revenue Sharing	3,069,222	1,171,920
Other	-	21,476
Charges for Service and Sales	1,015,135	5,252
Fines	163,341	-
Interest	158,841	37,227
Miscellaneous	726,353	177
Total Revenue	9,999,942	1,577,052
<b>EXPENDITURES</b>		
Current Operations		
General Government	3,603,385	-
Public Safety	5,557,627	-
Public Works	608,883	-
Highways, Streets and Bridges	-	1,849,610
Community Development	-	-
Debt Service		
Principal	-	-
Interest	-	-
Other	-	-
Total Expenditures	9,769,895	1,849,610
Excess of Revenue Over (Under) Expenditures	230,047	(272,558)

**Governmental Funds**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2005**

Community Development Block Grant	Other Nonmajor Governmental	Total Governmental
\$ -	\$ 810,406	\$ 5,295,021
-	147,474	147,474
-	-	362,222
-	376,085	737,298
-	-	4,241,142
-	-	21,476
35,929	551,408	1,607,724
-	41,250	204,591
238	81,854	278,160
-	607,571	1,334,101
36,167	2,616,048	14,229,209
-	648,736	4,252,121
-	-	5,557,627
-	125,783	734,666
-	1,130,264	2,979,874
50,260	15,000	65,260
-	600,000	600,000
-	164,632	164,632
-	1,475	1,475
50,260	2,685,890	14,355,655
(14,093)	(69,842)	(126,446)



# City of Mt. Pleasant

---

	General	Major Street
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	\$ 607,579	\$ 28,413
Transfers Out	<u>(429,320)</u>	<u>(407,821)</u>
Total Other Financing Sources (Uses)	<u>178,259</u>	<u>(379,408)</u>
Net Change in Fund Balances	408,306	(651,966)
<b>Fund Balance - January 1 (Restated)</b>	<u>4,772,680</u>	<u>1,214,264</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 5,180,986</u></u>	<u><u>\$ 562,298</u></u>

---

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balance  
Year Ended December 31, 2005  
(Continued)**

<u>Community Development Block Grant</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 1,677,374	\$ 2,313,366
-	(797,863)	(1,635,004)
-	879,511	678,362
(14,093)	809,669	551,916
391,086	2,300,301	8,678,331
<u>\$ 376,993</u>	<u>\$ 3,109,970</u>	<u>\$ 9,230,247</u>



# City of Mt. Pleasant

## Governmental Funds Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activity Year Ended December 31, 2005

Net change in fund balance - Total Governmental Funds \$ 551,916

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. (860,218)

Special assessment revenue is recorded in the Statement of Activities when the assessment is earned (i.e. work is substantially complete); they are not recorded in the governmental funds until levied. In the current year, more was collected than earned. (28,578)

In Special revenue funds revenue from contracts receivable is recorded when collected rather than when the contract was entered into. In the current year, more was collected than new contracts entered into. (44,359)

In Special revenue funds monies loaned are recorded as expenditures in the current year rather than contract receivable in the Statement of Activities 65,000

In Special revenue funds revenue from interest receivable is recorded when collected rather than when the interest was earned. In the current year, interest earned was not all collected. 40,500

Repayment of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt). 600,000

Accumulated employee sick & vacation pay, is recorded when earned in the Statement of Activities. 24,745

Interest payable on long-term debt is recorded when due in the Statement of Activities and when paid in governmental funds. 8,934

Internal Service Funds are included as part of governmental activities. 224,273

Change in Net Assets of Governmental Activities \$ 582,213



# City of Mt. Pleasant

	Enterprise Funds	
	Sewer	Water
<b>ASSETS</b>		
Current Assets		
Common Cash and Investments	\$ 166,002	\$ 1,129,312
Other Cash	14,889	67,028
Other Investments	-	-
Restricted Common Cash and Investments	1,900,795	1,071,319
Restricted Cash	10,718	387,237
Taxes Receivable	-	-
Accounts Receivable	432,387	439,530
Accrued Interest Receivable	-	-
Contracts Receivable	-	44,762
Due from Other Governmental Units	-	25,207
Prepaid Expense	13,125	11,621
Inventory	-	84,300
Total Current Assets	2,537,916	3,260,316
Noncurrent Assets		
Contracts Receivable	-	30,070
Development Cost	-	-
Capital Assets	33,312,705	22,540,557
Less: Accumulated Depreciation	(17,436,697)	(9,715,959)
Total Noncurrent Assets	15,876,008	12,854,668
Total Assets	18,413,924	16,114,984

**Proprietary Funds  
Statement of Net Assets  
December 31, 2005**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 1,350,096	\$ 2,645,410	\$ 1,070,793
41,825	123,742	362,605
-	-	1,002,872
262,670	3,234,784	270,442
-	397,955	-
11,987	11,987	-
163,978	1,035,895	4,303
-	-	12,123
-	44,762	-
180,356	205,563	-
1,485	26,231	6,176
36,190	120,490	82,813
<u>2,048,587</u>	<u>7,846,819</u>	<u>2,812,127</u>
264,150	294,220	-
609,409	609,409	-
2,957,256	58,810,518	3,382,052
<u>(1,310,257)</u>	<u>(28,462,913)</u>	<u>(2,536,211)</u>
<u>2,520,558</u>	<u>31,251,234</u>	<u>845,841</u>
4,569,145	39,098,053	3,657,968



# City of Mt. Pleasant

	Enterprise Funds	
	Sewer	Water
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 101,190	\$ 195,448
Contractor Retainage Payable	14,689	48,167
Accrued Expenses	46,273	160,241
Due to Other Funds	8,063	-
Unearned Revenue	3,515	-
Bonds and Loan Payable	250,000	250,000
Total Current Liabilities	423,730	653,856
Noncurrent Liabilities		
Bonds and Loans Payable	5,150,000	6,482,701
Total Liabilities	5,573,730	7,136,557
<b>NET ASSETS</b>		
Invested in Capital Assets	10,476,008	5,799,598
Restricted for:		
Future Projects	2,817	-
Replacement	1,379,203	852,456
Debt Service	529,493	606,100
Unrestricted	452,673	1,720,273
Total Net Assets	\$ 12,840,194	\$ 8,978,427

Some amounts reported for business-type activities in the Statement of Net Assets are different because of the allocation of Internal Service Fund Excess to business-type activities

Net Assets of Business-type Activities on  
Statement of Net Assets



**Proprietary Funds  
Statement of Net Assets  
December 31, 2005  
(Continued)**

Enterprise Funds		Internal Service Funds
Nonmajor	Total	
\$ 162,001	\$ 458,639	\$ 7,140
41,725	104,581	-
-	206,514	267,080
86,664	94,727	-
-	3,515	-
-	500,000	-
290,390	1,367,976	274,220
-	11,632,701	-
290,390	13,000,677	274,220
1,646,999	17,922,605	845,841
94,000	96,817	-
262,670	2,494,329	270,442
-	1,135,593	-
2,275,086	4,448,032	2,267,465
<u>\$ 4,278,755</u>	26,097,376	<u>\$ 3,383,748</u>
	<u>230,750</u>	
	<u>\$ 26,328,126</u>	



# City of Mt. Pleasant

	Enterprise Funds	
	Sewer	Water
<b>OPERATING REVENUE</b>		
Charges for Service and Sales	\$ 2,312,211	\$ 2,659,853
Miscellaneous	7,318	23,744
Total Operating Revenue	2,319,529	2,683,597
<b>OPERATING EXPENSES</b>		
Compensation	717,485	823,815
Supplies	224,667	453,040
Professional Services	336,015	657,100
Training	7,299	6,609
Utilities	161,061	199,178
Insurance Claims	-	-
Other Expenses	97,479	101,156
Depreciation	1,183,953	594,970
Total Operating Expenses	2,727,959	2,835,868
Operating Income (Loss)	(408,430)	(152,271)

**Proprietary Funds**  
**Statement of Revenue, Expenses, and**  
**Changes in Net Assets**  
**Year Ended December 31, 2005**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 1,419,646	\$ 6,391,710	\$ 2,888,217
-	31,062	-
1,419,646	6,422,772	2,888,217
89,300	1,630,600	157,845
186,095	863,802	219,875
1,089,316	2,082,431	349,733
-	13,908	2,299
23,160	383,399	29,033
-	-	1,663,753
72,742	271,377	7,533
110,530	1,889,453	215,354
1,571,143	7,134,970	2,645,425
(151,497)	(712,198)	242,792



# City of Mt. Pleasant

	Enterprise Funds	
	Sewer	Water
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Property Taxes	\$ -	\$ -
Federal/State Grants	-	25,207
Donations	-	-
Interest Income	89,665	106,133
Receipt of Contributed Capital	191,974	157,600
Proceed from Sale of Capital Investment	-	-
Interest Expense	(271,450)	(347,477)
Other	(275)	(713)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>9,914</b>	<b>(59,250)</b>
<b>Income (Loss) Before Transfers</b>	<b>(398,516)</b>	<b>(211,521)</b>
Transfers In	-	-
Transfers Out	(127,117)	(91,402)
<b>Change in Net Assets</b>	<b>(525,633)</b>	<b>(302,923)</b>
<b>Net Assets - January 1 (Restated)</b>	<b>13,365,827</b>	<b>9,281,350</b>
<b>Net Assets - December 31</b>	<b>\$ 12,840,194</b>	<b>\$ 8,978,427</b>

Some amounts reported in the business-type activities in the Statement of Activities are different because of the allocation of Internal Service Fund excess to business-type activities

Changes in net assets of business-type activities on the Statement of Activities

**Proprietary Funds**  
**Statement of Revenue, Expenses, and**  
**Changes in Net Assets**  
**Year Ended December 31, 2005**  
**(Continued)**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 166,987	\$ 166,987	\$ -
183,803	209,010	-
94,000	94,000	-
25,478	221,276	34,334
-	349,574	-
-	-	13,956
-	(618,927)	-
-	(988)	-
<u>470,268</u>	<u>420,932</u>	<u>48,290</u>
318,771	(291,266)	291,082
65,350	65,350	-
<u>(485,308)</u>	<u>(703,827)</u>	<u>(39,885)</u>
(101,187)	(929,743)	251,197
<u>4,379,942</u>		<u>3,132,551</u>
<u><u>\$ 4,278,755</u></u>		<u><u>\$ 3,383,748</u></u>

26,924

\$ (902,819)



# City of Mt. Pleasant

	Enterprise Funds
	<u>Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 2,324,398
Payments to Employees	(715,769)
Payments to Suppliers and Contractors	(657,381)
Claims Paid	-
Other Receipts (Payments)	<u>(97,479)</u>
Net Cash Provided (Used) by Operating Activities	853,769
<b>Cash Flows from Non-Capital Financing Activities</b>	
Property Taxes	-
Operating Subsidies	-
Transfers to Other Funds	<u>(130,717)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	(130,717)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	(443,722)
Proceed from Sale of Capital Investment	-
Federal/State Grants	-
Donation	-
Receipt of Contributed Capital	191,974
Principal Paid on Loans	(240,000)
Interest Paid on Loans & Paying Agent Fees	<u>(272,685)</u>
Net Cash (Used) by Capital and Related Financing Activities	(764,433)

**Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2005**

Enterprise Funds			Internal Service Funds
Water	Nonmajor	Total	
\$ 2,724,261	\$ 1,438,361	\$ 6,487,020	\$ 2,887,964
(823,428)	(89,300)	(1,628,497)	(157,845)
(1,107,194)	(1,191,027)	(2,955,602)	(598,811)
-	-	-	(1,628,278)
(101,156)	(72,742)	(271,377)	(7,533)
692,483	85,292	1,631,544	495,497
-	165,088	165,088	-
-	29,815	29,815	-
(91,402)	(485,308)	(707,427)	(48,020)
(91,402)	(290,405)	(512,524)	(48,020)
(660,149)	(220,178)	(1,324,049)	(221,784)
-	-	-	13,956
-	108,891	108,891	-
-	94,000	94,000	-
157,600	-	349,574	-
(224,120)	-	(464,120)	-
(352,491)	-	(625,176)	-
(1,079,160)	(17,287)	(1,860,880)	(207,828)



# City of Mt. Pleasant

	Enterprise Funds
	<u>Sewer</u>
<b>Cash Flow from Investing Activities</b>	
Purchase of Investments	\$ -
Interest Income	<u>89,665</u>
Net Cash Provided (Used) by Investing Activities	<u>89,665</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,284
<b>Cash and Cash Equivalents - January 1</b>	<u>2,044,120</u>
<b>Cash and Cash Equivalents - December 31</b>	<u><u>\$ 2,092,404</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</b>	
Operating Income (Loss)	\$ (408,430)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operations</b>	
Depreciation	1,183,953
<b>Changes in Assets and Liabilities</b>	
Accounts Receivable	6,967
Contracts Receivable	-
Prepaid Expense	193
Inventory	-
Accounts Payable	69,468
Contractor Retainage Payable	2,000
Accrued Expenses	1,716
Unearned Revenue	<u>(2,098)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 853,769</u></u>



**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**  
**(Continued)**

Enterprise Funds			Internal Service Funds
Water	Nonmajor	Total	
\$ -	\$ -	\$ -	\$ (1,002,872)
106,133	25,478	221,276	27,533
106,133	25,478	221,276	(975,339)
(371,946)	(196,922)	(520,584)	(735,690)
3,026,842	1,851,513	6,922,475	2,439,530
<u>\$ 2,654,896</u>	<u>\$ 1,654,591</u>	<u>\$ 6,401,891</u>	<u>\$ 1,703,840</u>
\$ (152,271)	\$ (151,497)	\$ (712,198)	\$ 242,792
594,970	110,530	1,889,453	215,354
(1,379)	20,212	25,800	(253)
42,043	-	42,043	-
(1,741)	(337)	(1,885)	(1,002)
12,490	(3,607)	8,883	3,123
162,317	68,266	300,051	(116)
35,667	41,725	79,392	-
387	-	2,103	35,599
-	-	(2,098)	-
<u>\$ 692,483</u>	<u>\$ 85,292</u>	<u>\$ 1,631,544</u>	<u>\$ 495,497</u>



# City of Mt. Pleasant

## Fiduciary Funds Statement of Net Assets December 31, 2005

	Trust Funds - Pension and Other Retiree Benefits	Private - Purpose Trust	Agency Funds
<b>ASSETS</b>			
Common Cash and Investments	\$ -	\$ 105,615	\$ 181,175
Other Cash	454,530	-	1,916,167
Investments, at fair value:			
Corporate Bonds	25,598	-	-
Mutual Funds	16,644,394	-	-
Real Estate	55,185	-	-
Taxes Receivable	-	-	3,652,717
Contributions Receivable	10,043	-	-
Total Assets	17,189,750	105,615	<u>\$ 5,750,059</u>
<b>LIABILITIES</b>			
Taxes Payable	-	-	\$ 5,652,367
Withholding Payable	-	-	97,692
Accrued Liability	4,095	-	-
Total Liabilities	4,095	-	<u>\$ 5,750,059</u>
<b>NET ASSETS</b>			
Held in trust for pensions and other benefits and other purposes	<u>\$ 17,185,655</u>	<u>\$ 105,615</u>	



# City of Mt. Pleasant

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2005

	Trust Funds - Pension and Other Retiree Benefits	Private - Purpose Trust
<b>ADDITIONS</b>		
Lot Sales	\$ -	\$ 5,650
Contributions		
Employer	255,176	-
Employee	167,282	-
Total Contributions	422,458	-
Investment Income		
Net increase in fair value of investments	363,429	-
Interest	21,988	3,673
Dividends	924,254	-
Total Investment Income	1,309,671	3,673
PA 28 Interest Allocation	17,280	-
Total Additions	1,749,409	9,323
<b>DEDUCTIONS</b>		
Benefit payments	973,283	-
PA 28 Interest Allocation	17,280	-
Administration expense	16,488	-
Total Deductions	1,007,051	-
<b>CHANGE IN NET ASSETS</b>	742,358	9,323
<b>NET ASSETS - JANUARY 1</b>	16,443,297	96,292
<b>NET ASSETS - DECEMBER 31</b>	<u>\$ 17,185,655</u>	<u>\$ 105,615</u>



# City of Mt. Pleasant

	Economic Development Corporation	Tax Increment Finance Authority
<b>ASSETS</b>		
Common Cash and Investments	\$ 1,000	\$ 784,007
Taxes Receivable	-	177,373
Land	481,955	367,868
Other Capital Assets, Net of Depreciation	-	1,082,373
Total Assets	482,955	2,411,621
<b>LIABILITIES</b>		
Accounts Payable	-	-
Accrued Liabilities	-	10,098
Due to Primary Government	-	-
Advance from Primary Government	-	198,000
Long Term Liabilities		
Due within one year	-	171,399
Due in more than one year	-	575,000
Total Liabilities	-	954,497
<b>Net Assets</b>		
Invested in capital assets, net of related debt	481,955	1,450,241
Restricted for		
State Payback	-	252,340
Capital Projects	-	64,477
Unrestricted	1,000	(309,934)
Total Net Assets (Deficit)	\$ 482,955	\$ 1,457,124

**Component Units  
Statement of Net Assets  
December 31, 2005**

<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ 28,112	\$ 77,859	\$ -	\$ 890,978
79,382	20,180	4,698	281,633
6,100	-	-	855,923
<u>192,256</u>	<u>-</u>	<u>-</u>	<u>1,274,629</u>
305,850	98,039	4,698	3,303,163
-	60,815	-	60,815
10,100	-	-	20,198
-	-	300	300
-	9,653	-	207,653
75,000	-	-	246,399
<u>575,000</u>	<u>-</u>	<u>-</u>	<u>1,150,000</u>
660,100	70,468	300	1,685,365
198,356	-	-	2,130,552
50,340	-	-	302,680
-	-	-	64,477
<u>(602,946)</u>	<u>27,571</u>	<u>4,398</u>	<u>(879,911)</u>
<u>\$ (354,250)</u>	<u>\$ 27,571</u>	<u>\$ 4,398</u>	<u>\$ 1,617,798</u>



# City of Mt. Pleasant

		Program Revenue
	Expenses	Capital Grants and Contributions
<b>Economic Development Corporation</b>		
EDC Operations	\$ -	\$ -
<b>TIFA</b>		
TIFA Operations	435,033	4,250
Administration	86,240	-
Interest and Paying Agent		
Fees on Long-term Debt	37,300	-
Depreciation	94,303	-
Total TIFA	652,876	4,250
<b>DDA</b>		
DDA Operations	165,041	-
Administration	30,380	-
Interest and Paying Agent		
Fees on Long-term Debt	41,822	-
Depreciation	43,837	-
Total DDA	281,080	-
<b>LDFA</b>		
LDFA Operations	60,900	-
Administration	3,880	-
Total LDFA	64,780	-
<b>Brownfield Development Authority</b>		
Administration	300	-
Total Component Units	\$ 999,036	\$ 4,250

General Revenue:  
 Captured Tax Increments  
 Investment Earnings  
 Miscellaneous

Total General Revenue

Change in Net Assets

Net Assets - January 1

Net Assets - December 31

**Component Units**  
**Statement of Activities**  
**Year Ended December 31, 2005**

Net (Expense) Revenue and Changes in Net Assets					
Economic Development Corporation	Tax Increment Finance Authority	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(430,783)	-	-	-	(430,783)
-	(86,240)	-	-	-	(86,240)
-	(37,300)	-	-	-	(37,300)
-	(94,303)	-	-	-	(94,303)
-	(648,626)	-	-	-	(648,626)
-	-	(165,041)	-	-	(165,041)
-	-	(30,380)	-	-	(30,380)
-	-	(41,822)	-	-	(41,822)
-	-	(43,837)	-	-	(43,837)
-	-	(281,080)	-	-	(281,080)
-	-	-	(60,900)	-	(60,900)
-	-	-	(3,880)	-	(3,880)
-	-	-	(64,780)	-	(64,780)
-	-	-	-	(300)	(300)
-	(648,626)	(281,080)	(64,780)	(300)	(994,786)
-	657,120	287,383	77,516	4,698	1,026,717
-	27,964	3,525	1,850	-	33,339
-	5,435	-	-	-	5,435
-	690,519	290,908	79,366	4,698	1,065,491
-	41,893	9,828	14,586	4,398	70,705
482,955	1,415,231	(364,078)	12,985	-	1,547,093
<u>\$ 482,955</u>	<u>\$ 1,457,124</u>	<u>\$ (354,250)</u>	<u>\$ 27,571</u>	<u>\$ 4,398</u>	<u>\$ 1,617,798</u>



# City of Mt. Pleasant

## Index to Notes to Financial Statements Year Ended December 31, 2005

<u>Note</u>	<u>Title</u>	<u>Page Number</u>
1	Summary of Significant Accounting Policies	
	A. Reporting Entity	65-66
	B. Government-wide and Fund Financial Statements	66
	C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	67-70
	D. Assets, Liabilities, and Net Assets or Equity	70-72
2	Stewardship, Compliance and Accountability	
	A. Budgetary Information	72-73
	B. State Construction Code Act	73
3	Deposits and Investments	
	A. Deposits and Investments	74-76
	B. Deposits and Investments – Pension Trust Funds	76-78
4	Receivables and Payables	78-79
5	Interfund Receivable, Payables and Transfers	
	A. Due To/From Other Funds	79
	B. Due To/From Primary Government	80
	C. Advance To/From Primary Government	80
	D. Interfund Transfers Reported in the Fund Statements	81
6	Capital Assets	
	A. Governmental Activities	82
	B. Business-type Activities	83
	C. Component Units	84
	D. Depreciation Expense	85
7	Long-Term Debt	85
	A. Governmental Activities	86
	B. Business-type Activities	87
	C. Component Units	87
	D. Debt Service Requirements	88
	E. 1998 Advance Refunding	89
	F. Conduit Debt Obligation	89





# City of Mt. Pleasant

## Index to Notes to Financial Statements Year Ended December 31, 2005

<u>Note</u>	<u>Title</u>	<u>Page Number</u>
8	Restricted Assets	90
9	Risk Management	
	A. Property Liability	91
	B. Medical Claims	91
10	Post-Employment Benefits	92
11	Employee Retirement Systems	
	A. Municipal Employees Retirement System of Michigan	92-94
	B. City of Mt. Pleasant Fire and Police Pension System	94-96
12	Financial Statements for Individual Pension Plans	
	A. Pension Net Assets	97
	B. Changes in Pension Net Assets	98
13	Mortgage Agreement	99
14	Joint Venture	99
15	Contingencies	
	A. Grants	99
	B. Litigation	100
16	Designated Fund Balance	100
17	Prior Period Adjustment	100



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Mt. Pleasant have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **A. Reporting Entity**

The City is organized under Michigan's Comprehensive Home Rule City Act. A seven member City Commission is the governing body elected by the community at large. The City Commission selects a Mayor from its members and appoints a City Manager.

**Discretely Presented Component Units** - The following component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. They are the Tax Increment Financing Authority (TIFA), Downtown Development Authority (DDA), Local Development Finance Authority (LDFA), Economic Development Corporation (EDC) and Brownfield Redevelopment Authority (BRA).

The members of the LDFA are all appointed by the City Commission. The LDFA is responsible for the creation and promotion of the University Park Smartzone. The budget and expenditures of the LDFA must be approved by the City Commission.

The members of the TIFA, DDA, EDC & BRA boards are the same and are all appointed by the City Commission. The City is contingently liable for the TIFA/DDA Bonds and is responsible for compliance with federal grants received in conjunction with the TIFA/DDA projects. The budget and expenditures of the TIFA/DDA/BRA must be approved by the City Commission. The EDC was established to hold title to land purchased in the City for economic development. The Project Plan for the EDC requires that all proceeds from the sale of these lands be returned to the City. All of the component units have separately issued financial statements that are available at the City Treasurer's office in City Hall.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting Entity (Continued)

**Blended Component Unit** - The Building Authority is blended with the Special Revenue funds in the governmental financial statements, because it provides service to the City only. The members of the Building Authority are all appointed by the City Commission. The Building Authority is responsible for the debt associated with the Department of Public Safety building renovation and expansion. The budget of the Building Authority must be approved by the City Commission. The general fund of the City of Mt. Pleasant is responsible to pay the Building Authority annual rent equal to the amount of debt service for the year. At the end of the lease, the building is to be deeded to the City of Mt. Pleasant.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and the major Enterprise Funds are reported in separate columns in the fund financial statements.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City property taxes are levied and become an enforceable lien on property as of July 1. Taxes are due without penalty until July 31. After July 31, delinquent taxes are collected including a penalty of 1% per month. These summer tax bills include the City's own property taxes and taxes billed on behalf of the school district, District Library and the County. Real property taxes not collected as of March 1 are turned over to Isabella County for collection. The County advances the City 100% of the balance outstanding for the delinquent real taxes and special assessments. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes levied in July of each year are recognized as revenue in that year. Delinquent taxes due from taxpayers at year end to be advanced by the County at the March settlement are recorded as receivable in the Special Agency Fund (Fiduciary Fund - Agency fund type).

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the resources of state gas and weight tax revenue that are restricted for use on Major Streets.
- The Community Development Block grant fund accounts for money received from federal and state grants to rehabilitate targeted residential areas.

The City reports the following major proprietary funds:

- The Sewer Fund accounts for the cost of collecting and treating waste water.
- The Water Fund accounts for the costs of providing water services to City residents and businesses.

Additionally, the government reports the following fund types:

- Internal service funds account for major machinery and equipment purchases and maintenance, as well as the City's Self Insurance activities for medical and liability coverage.
- The pension and other retiree benefits trust fund accounts for the activities of the police and fire employees retirement system which accumulates resources for pension benefit payments to qualified police and fire employees and for medical benefits provided to qualified police employees during retirement.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

- The private purpose trust fund is used to account for resources legally required to be used for cemetery perpetual care. All resources of this fund, including earnings on investments must be used for the cemetery.
- Agency funds account for monies collected on behalf of other agencies that are later disbursed to them.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the costs of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

#### D. Assets, Liabilities, and Net Assets or Equity

**Cash, Cash Equivalents and Investments** – The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short –term investments with a maturity of three months or less when acquired. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments, including pension funds, are stated at fair value, (quoted market price or the best available estimate). Land held as an investment in the pension fund is estimated based on financial data provided by the partnership that owns the land.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."





# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years except for vehicles and computer software which are depreciated faster, in accordance with the schedule below. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 years
Building Improvements	30 years
Water and Sewer Lines	30 years
Roads	40 years
Other Infrastructure	15 to 50 years
Vehicles	2 to 30 years
Office Equipment	5 to 10 years
Computer Software	3 to 5 years
Land Improvements	15 years





# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Compensated Absences (Vacation and Sick Leave)** – The City's policy allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation benefits as they are earned and sick pay as it is used or vested whichever is earlier. The sick and vacation pay that is due to employees eligible for retirement for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations. Since the benefit has not matured, for example, as a result of employee resignations or retirements, it is not considered a liability in the governmental funds.

**Long-Term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to changes.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The budget is adopted in accordance with Public Act 493. In accordance with this Act, budgets are adopted on an annual basis for General and Special Revenue funds. Informational Summaries are adopted for Capital Projects, Debt Service and Proprietary Funds as a management control device. The budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Since the Building Authority is considered a Component Unit of the City no budget is adopted for this fund.

The budget and approved appropriations lapse at the end of the fiscal year. The City does not formally record encumbrances in the accounting records during the year as a normal practice, and no outstanding encumbrances exist at December 31, 2005.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

#### **A. Budgetary Information (Continued)**

The budget is adopted with legal budgetary control at the fund level (i.e., expenditures may not exceed budgeted appropriations at the fund level), except for the General Fund, which is adopted at the division level. General Fund expenditures cannot exceed the budgeted appropriations at the division level. The division level is an aggregation of various departments within the General Fund. The City Manager and the Finance Director are authorized to transfer budgeted amounts within a division; however, any revisions that alter the total expenditures of any division in the General Fund or fund total for all other funds require approval of the City Commission and passage of a resolution. The City has made no subsequent appropriations.

Expenditures were in excess of budgeted amounts at the legal level of control in the following:  
Storm Drain Special Revenue Fund \$3,207.

#### **B. State Construction Code Act**

Public Act 245 of 1999 amends the State Construction Code. The amendment requires that legislative bodies establish "reasonable fees" which "bare a reasonable relationship" to the cost of operating the enforcing agency. During 2005 the City generated \$113,882 in Building Permits and the Building Inspection department expenditures, including overhead, were \$251,796.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS

#### A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances, see Note 3-B) as of December 31, 2005:

##### **Statement of Net Assets**

###### Cash and Investments:

Primary Government	\$ 16,681,478
Component Unit	890,978

##### **Statement of Fiduciary Net Assets**

###### Pension trust funds:

Cash and cash equivalents	454,530
Investments	16,725,177

###### Private purpose trust fund:

Cash and cash equivalents	105,615
---------------------------	---------

###### Agency Fund:

Cash and cash equivalents	181,175
Cash and cash equivalents	1,916,167

<b>Total</b>	<b>\$ 36,955,120</b>
--------------	----------------------

##### **Deposits and Investments**

###### Bank Deposits:

Checking/savings accounts	\$ 4,308,078
Certificates of Deposits	3,537,808

###### Investments in Securities and Mutual Funds:

Pooled Investments	2,964,401
Pension investments	16,725,177
Government Agencies	5,977,295
Commercial Paper	3,439,511
Cash on Hand	2,850

<b>Total</b>	<b>\$ 36,955,120</b>
--------------	----------------------



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

#### A. Deposits and Investments (Continued)

As of December 31, 2005 the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities	
		Less Than 1 Year	(In Years) 1 - 5
Government Agencies	\$ 5,977,295	\$ 2,226,379	\$ 3,750,916
Commercial Paper	3,439,511	3,439,511	-
Total	<u>\$ 9,416,806</u>	<u>\$ 5,665,890</u>	<u>\$ 3,750,916</u>

The city chooses to disclose its pooled investments by specifically identifying each. As of year end, the City had the following pooled investments.

	Carrying Amount (Fair Value)	Credit Rating
Mutual and cash management funds (uncategorized as to risk)	\$ 2,964,401	N/A

*Interest Rate Risk.* Public Act 196 of 1997 limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Public Act 196 of 1997 authorizes the City to deposit and invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, in accounts of a financial institution, commercial paper with specific maximum maturities and ratings when purchased, repurchase agreements, bankers acceptances of United States banks, obligations of the State of Michigan or any of its political subdivisions, mutual funds composed of investment vehicles that are legal and for direct investment by a public corporation and investments in government pools. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the City's investments:



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### **NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

#### **A. Deposits and Investments (Continued)**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit credit risk. As of year end, \$6,951,838 of the City's bank balance of \$7,845,886 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The City subscribes to a bank review company and analyzes the financial condition of the banks. The City only invests with those institutions with an acceptable estimated risk level for depositories and certificates of deposit.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of a the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. To minimize custodial credit risk, the City investment policy requires all brokered investments be held in safekeeping by a third party safekeeping company.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

#### **B. Deposits and Investments – Pension Trust Funds**

The deposits and investments of the City's pension trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension deposits and investments are presented separately.

*Deposits -* The pension trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of net assets are composed entirely of short-term investments in money market accounts.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

#### B. Deposits and Investments – Pension Trust Funds (Continued)

Investments – The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

The investments of each pension trust fund are held in a bank-administered trust fund. Following is a summary of pension investments as of December 31, 2005:

	<u>Police and Fire Pension Fund</u>	<u>Police Retiree Health Care Fund</u>	<u>Total</u>
Investments at fair value, as determined by quoted market value			
Domestic Corporate Security	\$ 25,598	\$ -	\$ 25,598
Domestic Securities Mutual Funds	3,216,035	-	3,216,035
Domestic Equity Mutual Funds	8,772,948	27,535	8,800,483
Foreign Equity Mutual Funds	4,627,876	-	4,627,876
Investment in Real Estate Partnership	<u>55,185</u>	<u>-</u>	<u>55,185</u>
Total Investments	<u>\$ 16,697,642</u>	<u>\$ 27,535</u>	<u>\$16,725,177</u>

*Credit Risk.* The Fire and Police Pension and Police Retiree Health Care board's investment policy provide that safety is the foremost objective of the investment program. To achieve this objective, the board invests predominately in mutual funds. Before purchasing mutual funds the board reviews the prospectus for the fund, the rating of the money manager and the beta for the fund. The pension fund holds a Domestic corporate bond in the amount of \$25,598 that is rated A- by Standard & Poor's rating agency. The investment in the real estate partnership is not rated and the mutual funds are not subject to credit risk.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

#### B. Deposits and Investments – Pension Trust Funds (Continued)

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover its value of its investments or collateral securities that are in possession of an outside party. The City's pension and retiree health investment procedure is that all securities be held in trust by a third-party institution in the name of the pension or retiree health fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial risk since the securities are held by the counterparty's trust department in the name of the pension and retiree health funds.

*Concentration of Credit Risk.* The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, provides that the pension and retiree health funds hold no more than 5% of its portfolio in one company and that it owns no more than 5% of the value of any company. The City's pension and retiree health care fund's policies require that the investments be diversified but does not specify a percentage of dollar amounts issuer. The investment philosophy of the pension fund does require diversification in various equity categories and does specify a percentage or dollar amount.

*Interest Rate Risk.* As of December 31, 2005, the only debt security of the pension fund was a domestic corporate bond that matures on October 15, 2006. The pension and retiree health fund's policies do not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### NOTE 4 – RECEIVABLES AND PAYABLES

Receivables as of year end for the City's governmental and business –type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 561,336	\$ 11,987	\$ 281,633
Special Assessments	412,598	-	-
Accounts	70,369	1,035,895	-
Interest	124,636	-	-
Contracts	1,105,661	338,982	-
Intergovernmental	1,015,370	205,563	-
Total Receivables	<u>\$ 3,289,970</u>	<u>\$ 1,592,427</u>	<u>\$ 281,633</u>



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 4 – RECEIVABLES AND PAYABLES (CONTINUED)

Accounts payable and other current liabilities as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Accounts	\$ 246,705	\$ 458,639	\$ 60,815
Contractor Retainage	103,217	104,581	-
Compensated Absences	604,382	-	-
Accrued Liabilities	268,163	206,514	-
Accrued Interest	46,262	-	-
Intergovernmental	26,687	-	228,151
	<u>\$ 1,295,416</u>	<u>\$ 769,734</u>	<u>\$ 288,966</u>

### NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances in the fund statements is as follows:

#### A. Due To/From Other Funds

These interfund balances arise out of the normal course of operations in these funds and are expected to be liquidated within one year unless noted as an advance.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 11,671
	Nonmajor Proprietary Funds	86,664
	Total General Fund	98,335
Nonmajor Governmental Funds	Special Assessment Fund	29,250
	Sewer Fund	8,063
	Total Nonmajor Governmental Funds	37,313
Total		<u>\$135,648</u>





# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (CONTINUED)

#### B. Due To/From Primary Government

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government -	Component Unit – Brownfield Development Authority	<u>\$ 300</u>

#### C. Advance To/From Primary Government

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government -	Component Unit – TIFA	\$198,000
Nonmajor Governmental	Component Unit – LDFA	<u>9,653</u>
Total		<u>\$207,653</u>

The Community Development Block Grant fund loaned the Central Business District - TIFA \$198,000 to purchase the Bader Building located in the downtown. The loan is payable when the property is sold.

The Economic Development fund loaned the University Park – LDFA fund \$9,653 for a marketing grant match. Payments and interest at 3% begin October 2008.



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (CONTINUED)

#### D. Interfund Transfers Reported in the Fund Statements

These transfers were done in the normal course of operations of the funds, usually to pay overhead charges.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 3,413
	Nonmajor Governmental Funds	386,947
	Nonmajor Proprietary Funds	<u>38,960</u>
	Total General Fund	429,320
Major Street Fund	General Fund	47,471
	Nonmajor Governmental Funds	350,590
	Nonmajor Proprietary Funds	<u>9,760</u>
	Total Major Street Fund	407,821
Nonmajor Governmental Funds	General Fund	301,983
	Major Street	25,000
	Nonmajor Governmental Funds	454,250
	Nonmajor Proprietary Funds	<u>16,630</u>
	Total Nonmajor Governmental Funds	797,863
Sewer Fund	General Fund	99,300
	Nonmajor Governmental Funds	<u>27,817</u>
	Total Sewer Fund	127,117
Water Fund	General Fund	91,402
Nonmajor Proprietary Funds	General Fund	27,538
	Nonmajor Governmental Funds	<u>457,770</u>
	Total Nonmajor Proprietary Funds	485,308
Internal Service Funds	General Fund	<u>39,885</u>
Total		<u><u>\$2,378,716</u></u>



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 6 – CAPITAL ASSETS

Capital assets of the primary government's governmental and business-type activities were as follows:

#### A. Governmental Activities

	Balance December 31, 2004	Additions	Disposals	Balance December 31, 2005
<b>Capital Assets not being depreciated:</b>				
Land	\$ 1,130,544	\$ -	\$ -	\$ 1,130,544
Right of Way	4,204,900	-	-	4,204,900
Net capital assets - non-depreciable	5,335,444	-	-	5,335,444
<b>Capital Assets being depreciated:</b>				
Land Improvements	1,687,044	113,395	-	1,800,439
Buildings	3,700,134	-	-	3,700,134
Building Improvements	4,635,860	-	-	4,635,860
Vehicles	4,510,970	289,855	118,165	4,682,660
Equipment	2,383,036	-	21,949	2,361,087
Infrastructure	30,260,846	519,907	-	30,780,753
Subtotal	47,177,890	923,157	140,114	47,960,933
<b>Accumulated depreciation:</b>				
Land Improvements	284,725	103,687	-	388,412
Buildings	2,010,847	123,095	-	2,133,942
Building Improvements	723,841	231,786	-	955,627
Vehicles	2,742,012	345,217	110,823	2,976,406
Equipment	1,662,900	165,809	21,949	1,806,760
Infrastructure	18,229,756	799,832	-	19,029,588
Subtotal	25,654,081	1,769,426	132,772	27,290,735
Net capital assets - being depreciated	21,523,809	(846,269)	7,342	20,670,198
Net governmental capital assets	<u>\$ 26,859,253</u>	<u>\$ (846,269)</u>	<u>\$ 7,342</u>	<u>\$ 26,005,642</u>



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 6 – CAPITAL ASSETS (CONTINUED)

#### B. Business-type Activities

	Balance December 31, 2004	Additions	Disposals	Balance December 31, 2005
<b>Capital Assets not being depreciated:</b>				
Land	\$ 428,308	\$ -	\$ -	\$ 428,308
<b>Capital Assets being depreciated:</b>				
Land Improvements	926,007	35,198	-	961,205
Buildings	1,472,996	84,810	-	1,557,806
Equipment	1,663,259	100,170	-	1,763,429
Infrastructure	52,995,898	1,103,872	-	54,099,770
Subtotal	57,058,160	1,324,050	-	58,382,210
<b>Accumulated depreciation:</b>				
Land Improvements	281,599	60,582	-	342,181
Buildings	773,845	35,391	-	809,236
Equipment	1,222,164	90,077	-	1,312,241
Infrastructure	24,295,852	1,703,403	-	25,999,255
Subtotal	26,573,460	1,889,453	-	28,462,913
Net capital assets - being depreciated	30,484,700	(565,403)	-	29,919,297
Net business-type capital assets	<u>\$ 30,913,008</u>	<u>\$ (565,403)</u>	<u>\$ -</u>	<u>\$ 30,347,605</u>



# City of Mt. Pleasant

## Notes to Financial Statements Year Ended December 31, 2005

### NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital assets of the component units was as follows:

#### C. Component Units

	Balance December 31, 2004	Additions	Disposals	Balance December 31, 2005
<b>Capital Assets not being depreciated:</b>				
Land	\$ 763,055	\$ -	\$ -	\$ 763,055
Art	92,868	-	-	92,868
Net capital assets - non-depreciable	855,923	-	-	855,923
<b>Capital Assets being depreciated:</b>				
Land Improvements	2,460,021	-	-	2,460,021
Infrastructure	904,003	-	-	904,003
Subtotal	3,364,024	-	-	3,364,024
<b>Accumulated depreciation:</b>				
Land Improvements	1,671,154	104,822	-	1,775,976
Infrastructure	280,101	33,318	-	313,419
Subtotal	1,951,255	138,140	-	2,089,395
Net capital assets - being depreciated	1,412,769	(138,140)	-	1,274,629
Net component units capital assets	<u>\$ 2,268,692</u>	<u>\$ (138,140)</u>	<u>\$ -</u>	<u>\$ 2,130,552</u>